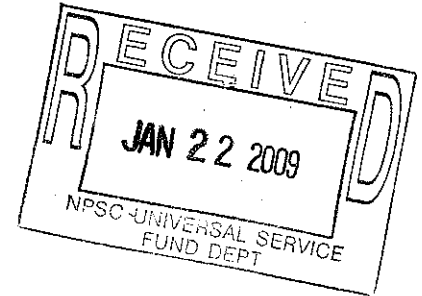


BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public)
Service Commission on its own motion to)
Make adjustments to the Universal)
Service Fund Mechanism Established in)
NUSF-26. Waiver Request Received from)
Citizens Telecommunications Company)
of Nebraska d/b/a Frontier)
Communications of Nebraska.)

Application No. NUSF-50



PREFILED TESTIMONY OF SUE VANICEK

1 **Q: Please state your name for the record.**

2 A: Sue Vanicek, V-A-N-I-C-E-K
3

4 **Q: Where are you employed and in what capacity?**

5 A: I am the Director of the Nebraska Telecommunications Infrastructure and Public
6 Safety Department of the Nebraska Public Service Commission which administers the
7 Nebraska Universal Service Fund. I have been employed by the Commission as Director
8 since August 14, 2008.
9

10 **Q: What Was Your Experience Prior To Your Current Position?**

11 A: For 14 years I was employed by Lincoln Telephone/Aliant Communications. I
12 held a variety of positions specializing in regulatory and legislative analysis and strategic
13 planning. There I also served as Economic Costs and Analysis Manager. In that position
14 I was responsible for managing the development of cost information, both forward-
15 looking and historical. After leaving Aliant, I was employed as a Senior Consultant at
16 TELEC Consulting Resources now known as Consortia Consulting.

1 **Q: What Is Your Educational Background?**

2 A: I have Master of Arts degree in Economics and a Bachelor of Science degree in
3 Business Administration, both from the University of Nebraska-Lincoln.

4
5 **Q: What is the purpose of your testimony?**

6 A: To make recommendations and to discuss the Department's opinion regarding
7 the waiver request filed by Citizens Telecommunications Company of Nebraska d/b/a
8 Frontier Communications of Nebraska (Frontier).

9
10 **Q: Will you please describe the Department's views regarding Frontier's waiver**
11 **request?**

12 A: Yes. Docket No. C-664 requires the largest four telecommunications carriers in
13 Nebraska to file for approval depreciation schedules. In Docket No. C-3593 Frontier
14 filed a depreciation study with the Communications Department pursuant to a
15 Commission Order entered in 1987 in Docket C-664. The Communications Department
16 reviews these studies and makes a recommendation to the Commission for approval.
17 In this proceeding Frontier is asking the Commission to eliminate the last year of the
18 three-year depreciation schedule adjustment from the NUSF-EARN Form filing for 2008
19 which is due in April 2009.

20 Frontier states the effect of the depreciation reserve adjustments resulted in
21 Frontier being ineligible for NUSF because it resulted in lower reported expenses and
22 higher reported earnings which exceeded the 12 percent rate-of-return threshold for
23 qualification for NUSF support.

1 There are a couple of points I would like to make in response to Frontier's prefilled
2 testimony. First, as you all know the NUSF does not operate as a guarantee for
3 companies to earn a 12 percent rate of return. Rather, the Commission has previously
4 found in C-1628 and NUSF-26 that the NUSF offers an opportunity for companies to earn
5 a 12 percent rate of return.

6 In addition, consistent with the principles developed by the Commission in NUSF-
7 26, the Commission's policies and objectives are designed to reward companies for
8 making investment. The distribution model developed in NUSF-26, prior Commission
9 waivers granted in NUSF-50 and those granted before that in NUSF-7 have been largely
10 tailored toward either spurring particular investment or lessening the impact of a
11 Commission initiated change--such as the FUSF imputation as it uniquely impacted a
12 company's investment cycle. Here, however, there is no justification for a grant of this
13 waiver other than eligibility for NUSF support.

14 In my view, Frontier received a benefit from its depreciation study at the front-
15 end of the plant life. Frontier depreciated its plant very quickly during the prior cycle
16 which gave Frontier higher expenses and lower earnings in prior years. This made
17 Frontier eligible for NUSF support in years 2003, 2004 and 2005. Therefore, Frontier has
18 already received a benefit from its high depreciation expense in the support it received
19 over the 2003-2005 period. Accordingly, it should not receive a benefit on the back
20 end of the depreciation cycle by a grant of this waiver.

21 The Commission must also be mindful of the fact that a grant of this waiver would
22 impact other companies which are not parties to the case. All other things being
23 equal, a grant of this request would have the result of significantly reducing NUSF
24 support for approximately a third of those companies currently receiving support.

1 In addition, if this application is granted, then a precedent is established for the
2 other large carriers with approved depreciation reserves. Such precedents would
3 further impact the distribution of support among carriers, as it is highly unlikely that the
4 total amount of high-cost support distributed can be increased. Therefore, any grant of
5 waiver requests will require the redistribution of support among carriers.

6 For these reasons, my recommendation would be for the Commission to deny
7 this waiver request.

8

9 **Q: Does this conclude your testimony?**

10 **A: Yes it does. I am available for questions.**

CERTIFICATE OF SERVICE

I certify that on the 22nd day of January, 2009, a true and correct copy of the Testimony of Sue Vanicek in Docket No. NUSF-50 was sent by electronic mail and via First Class United States Mail postage prepaid to the following with the original being filed with the Nebraska Public Service Commission:

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